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Flooding in South China - Early Impact on Agriculture

Report Categories:

Agricultural Situation

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Report Highlights:

Heavy rain and floods began on May 5 this year, a month earlier than usual and impacted China's southern provinces of Jiangxi, Hunan, Fujian, Guangdong, Guangxi, Zhejiang, Sichuan, Hubei, Guizhou, and Chongqing Municipality. China JCI, a private agricultural consulting firm, reports that by June 26-27 the heavy rainfall in most provinces ended and reported that rivers began to recede. However, rain continues to flood Guangdong, Fujian, Jiangxi, and Zhejiang provinces, with the most severe flooding occurring in Jiangxi province. While the flood damage to urban areas drew great media attention, the blow to agricultural production is not as severe. Nevertheless, flooding did destroy some vegetable crops and livestock as well as impacted vegetable transport, which helped contribute to increased vegetable prices. The floods may also impede the storage and marketing of rapeseed. However, it is still early to quantify production losses for most agricultural products.

Executive Summary:

The death toll from floods in southern China is near 380 and economic losses to date total \$12.3 billion (83.8 billion RMB). The floods reportedly impacted 11.1 million acres of total cropland. The impact on agriculture in southern China is yet to be quantified however, and certain crops may be affected more than others. Southern China is a key production region for livestock, rice, citrus, vegetables, cotton, rapeseed, and some soybeans.

Industry insiders confirm flooding in southern China resulted in the loss of some livestock, but no accurate figures have yet been released. Destruction of vegetables caused local supply shortages and price increases in Jiangxi and Fujian provinces. The production of cotton and soybeans in southern China represents a small share of total production; therefore, any production loss is expected to have minimal impact on China's overall production of these commodities. The rapeseed crop mostly escaped flood damage, because the majority of the marketing year (MY) 10/11 crop was harvested in late May. Potential rapeseed loss exists only in personal farm storage and marketing channels that were obstructed by water. Flooding is a common occurrence in southern China's rice production areas and FAS/Beijing estimates that production loss is minimal. While no official estimates have been released regarding citrus (mainly orange) crop losses, local Jiangxi officials do not expect significant damage to the quality or quantity of this year's crop.

General Information:**Livestock and Poultry Situation**

The flooding in southern China resulted in some loss of livestock and poultry. However, the central and local governments have yet to release any official figures and industry has not provided any estimate of animal losses, nor detail of which types of animals were lost. In 2007, the nine provinces and one municipality accounted for 49.3, 38.2, and 16.3 percent of total pork, poultry, and beef production, so FAS/Beijing estimates some losses, but is not changing its official production estimates for MY 10/11. The local government in Fuzhou City (Fujian Province) already mobilized more than \$58,824 (400,000 RMB) for farmers to deeply bury animals lost from flooding and guard against the spread of diseases, but the extent of overall damage to herd size remains unclear.

Cotton Situation

Cotton is produced in northern Jiangxi and Hunan provinces, with annual average production being 100,000 metric tons (MT) and 250,000 MT, respectively. Flooding in the northern part of the two provinces appears to be less serious than in the southern regions. Cotton is generally transplanted in mid-May, so remains vulnerable to extreme weather. Therefore, if heavy rains hit the northern areas of Jiangxi and Hunan, some cotton production may be affected. However, production in these two provinces accounts for only about 1 and 3 percent of total annual production, respectively, making the impact on China's overall cotton production minimal. FAS/Beijing's estimate of 7.4 MMT in MY 10/11 remains unchanged.

Oilseeds Situation

Rapeseed is planted in some of the flood-affected regions, including Jiangxi and Hunan provinces, where annual production averages near 500,000 MT and 1 MMT, respectively. However, most rapeseed production in the two provinces is in the northern regions, which were not seriously impacted

by this unseasonal weather. Moreover, the majority of the rapeseed harvest in both provinces was completed by the end of May, before the largest flooding occurred. Therefore, while the impact on the rapeseed harvest is expected to be very limited, reported road damage may delay the marketing of harvested rapeseed. In addition, the floods may cause losses of on-farm rapeseed storage by farmers.

Jiangxi and Hunan also produce small amounts of soybeans for local consumption. However, the flooding will not likely affect China's 15 MMT total annual soybean production, and will have no impact on the country's crushing-soybean supply.

Grains Situation

The impact of floods in southern China on grain production is limited to rice, as Jiangxi, Hunan, and Guangxi are key rice producing provinces. However, floods are a common occurrence in areas bordering South China's rivers, and FAS/Beijing estimates that any impact on rice production in this region will be minimal. Our estimate of 196 MMT in MY 10/11 remains unchanged.

Horticulture Situation

Citrus

Local officials in Jiangxi, the hardest-hit province, are still evaluating fruit crop losses from this year's floods. In South China, citrus is the primary fruit crop by volume, and Jiangxi is China's largest orange producing province. However, orange trees are currently in the fruit development stage and not as vulnerable as during bud formation. Therefore, industry contacts tell FAS/Beijing that while there is no official conclusion in terms of impact on production, the quality and quantity of the orange crop are not expected to be significantly affected.

Vegetables

Heavy rains and floods contributed to recent vegetable price fluctuations, especially in Jiangxi and Fujian provinces. According to Xinhua National Agricultural Products Prices Monitoring System, on June 23, leafy vegetable prices in Jiangxi province's largest agricultural products wholesale market increased 30 percent over prices on June 13. The vegetable prices in Fuzhou city (capital of Fujian province) also increased more than 35 percent from prices one week ago. Industry experts attribute the price increase to two factors: flooding not only destroyed some vegetable production and decreased local supply, but also destroyed local roads, making it difficult to transfer imported or neighboring province's vegetables to local markets to ease prices.

Despite the recent price increases, most industry experts believe these price hikes are temporary. The vegetable supply should recover rapidly after the floods cease, and China's overall vegetable supply is abundant. Moreover, the price increases are not expected to contribute to a significant consumer price index (CPI) increase, as the scope of vegetable crop damage is limited to certain regions and provinces, and these local price increases are not likely to be sustained.

